

AR46



AVCO

CORPORATION/ANNUAL REPORT 1968

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### General Offices:

750 Third Avenue,  
New York, New York 10017.

### Stock Transfer Agent:

Schroder Trust Company,  
57 Broadway, New York, New York 10015.

### Registrar:

Bankers Trust Company,  
16 Wall Street, New York, New York 10015.

### Co-Transfer Agents:

Bank of America National Trust and Savings Association,  
1 South Van Ness Avenue, San Francisco, California 94120.

Crown Trust Company,  
302 Bay Street, Toronto, Ontario, Canada.

The First National Bank of Chicago,  
38 South Dearborn Street, Chicago, Illinois 60690.

Worcester County National Bank,  
446 Main Street, Worcester, Massachusetts 01608.

### Co-Registrars:

Blackstone Valley National Bank of Whitinsville,  
Memorial Square, Whitinsville, Massachusetts 01588.

The Canada Trust Company,  
110 Yonge Street, Toronto, Ontario, Canada.

Harris Trust and Savings Bank,  
111 West Monroe Street, Chicago, Illinois 60690.

Wells Fargo Bank,  
464 California Street, San Francisco, California 94120.

### Trustee:

Convertible Debentures—Bankers Trust Company,  
16 Wall Street, New York, New York 10015.

### Warrant Agent:

Schroder Trust Company,  
57 Broadway, New York, New York 10015.

### Listing of Securities:

Common Stock—New York Stock Exchange,  
Midwest Stock Exchange,  
Toronto Stock Exchange.

Convertible Debentures—New York Stock Exchange.

Warrants—American Stock Exchange (pending).

**Annual Meeting:** The annual meeting of stockholders of  
Avco Corporation will be held April 10, 1969. Formal advance  
notice of the meeting will be mailed to all stockholders.

**J. C. COOPER**

**PRESIDENT  
& GENERAL MANAGER**

**MOFFATS LIMITED**  
WESTON, ONTARIO

## **BOARD OF DIRECTORS**

Kendrick R. Wilson, Jr., \*† Chairman  
George E. Allen\*  
Earl H. Blaik\*  
James Bruce\*  
G. Keith Funston  
John R. Gosnell\*†  
Orville F. Grahame  
Francis A. Harrington  
Frank L. Harrington  
Robert D. Harrington†  
Edward R. Hodgkins  
Frederick W. P. Jones  
Herman H. Kahn  
Arthur Kantrowitz  
James R. Kerr\*†  
John A. McDougald  
Matthew A. McLaughlin\*  
William I. Myers\*  
Benjamin H. Namm  
Richard W. Yantis†

\*Executive Committee Member

†Finance Committee Member

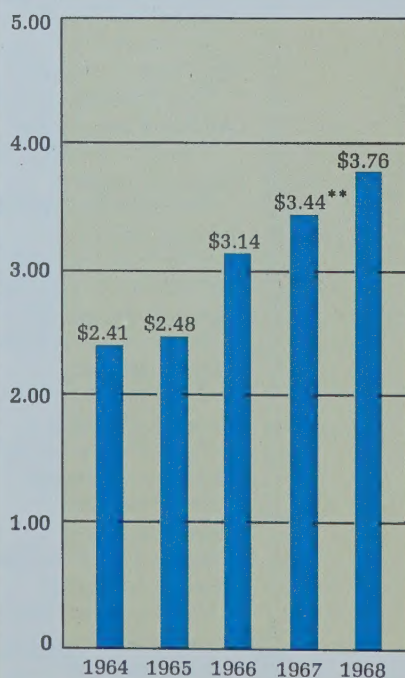
## **OFFICERS**

Kendrick R. Wilson, Jr.  
*Chairman of the Board and Chief Executive Officer*  
Robert D. Harrington  
*Vice Chairman of the Board*  
James R. Kerr  
*President, Chairman of the Executive Committee  
and Chief Operating Officer*  
John R. Gosnell  
*Chairman of the Finance Committee*  
Mac C. Adams  
*Vice President*  
James R. Dempsey  
*Vice President and Group Executive,  
Government Products*  
Arthur E. Gilman  
*Vice President*  
Orville F. Grahame  
*Vice President and General Counsel, Insurance*  
Arthur Kantrowitz  
*Vice President*  
Frank S. Larson  
*Vice President and Treasurer*  
John M. Mihalic  
*Vice President and Group Executive,  
Commercial and Industrial Products*  
James E. Mitchell  
*Vice President, Industrial Relations*  
John T. Murphy  
*Vice President*  
Henry J. Oechler  
*Vice President, International Operations*  
Dorothy M. Simon  
*Vice President*  
Curry W. Stoup  
*Group Vice President*  
Gordon M. Tuttle  
*Vice President and General Counsel*  
Beverly H. Warren  
*Vice President*  
Alan S. Berk  
*Controller*  
William D. Gaillard  
*Secretary*

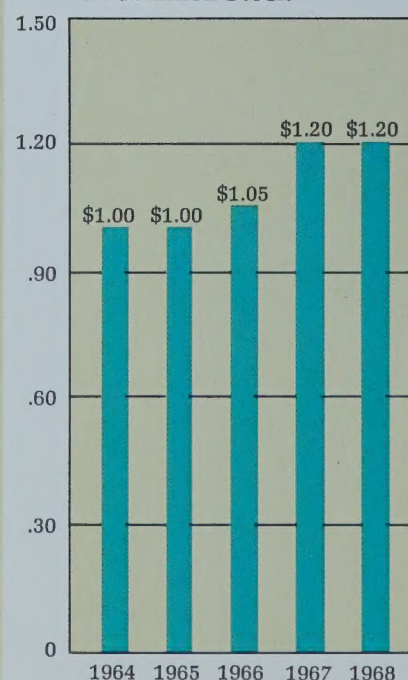
## FINANCIAL HIGHLIGHTS

	Year ended November 30 <b>1968</b>	Year ended November 30 <b>1967</b>
Earnings (before extraordinary capital gain in 1967) .....	\$57,022,000	\$53,247,000
Per outstanding common share* .....	\$3.76	\$3.44
Cash dividends per common share .....	\$1.20	\$1.20
Number of holders of common stock .....	55,956	66,390

**Earnings per Common Share\***



**Cash Dividends  
on Common Stock**



\*See page 40 for effect of \$3.20 convertible preferred stock on earnings per share.

\*\*Excludes extraordinary capital gain of \$2.03 per common share

## REPORT OF THE CHAIRMAN AND PRESIDENT



*James R. Kerr, President, left, and Kendrick R. Wilson, Jr., Chairman.*

*To the Stockholders of Avco Corporation:*

Last year Avco continued its growth through internal development and selective acquisitions. Earnings for 1968 exceeded 1967, exclusive of an extraordinary capital gain in the earlier year. Sales and revenues in 1968 were at record levels.

### **Financial Results**

Consolidated earnings were \$57,022,000, or \$3.76 per average outstanding common share, for the fiscal year ended November 30, 1968, after a charge of 35 cents per common share for the federal surtax. In 1967 consolidated earnings were \$53,247,000, or \$3.44 per common share, before the extraordinary capital gain realized at the time The Paul Revere Corporation sold marketable securities to purchase shares of Avco.

Earnings per common share, calculated on the total of the outstanding common shares and the number of common shares into which Avco's preferred is convertible, were \$2.69 for 1968 compared with \$2.48, before the extraordinary capital gain, for 1967.

In this year's annual report we have included an expanded financial review section.

### **Corporate Expansion**

Since the early 1960's, Avco has placed increased emphasis on its commercial business. As a result, profits from commercial operations in 1968 accounted for 77 per cent of Avco's consolidated earnings, whereas five years ago more than half of reported earnings was derived from sales to the government.

Avco significantly increased its participation in the growing leisure time field in 1968 with the acquisition of Embassy Pictures Corp. Recent motion picture productions of this new subsidiary include "The Graduate," "The Producers" and "The Lion in Winter." Avco Broadcasting Corporation had an excellent year in 1968. Since 1965 it has made a number of important acquisitions of radio and television properties, and in 1968 agreed to purchase a radio station serving the greater St. Louis area.

Early in 1969 Avco further strengthened its position in the financial services field by the acquisition of Seaboard Finance Company, a leader in the personal loan business. Your company now has a broad geographic distribution of loan offices in the United States, Canada and Australia.

Another recent move was the purchase of majority control of Carte Blanche Corporation, engaged in the growing travel and entertainment credit card business. Carte Blanche, in turn, acquired Cartan Travel Bureau, Inc., a leading domestic and international tour operator. Avco also purchased a 51 per cent interest in Rancho Bernardo, Inc., of San Diego, a land development com-

pany, and has agreed to acquire California-based Huntington Savings and Loan Association, having assets of about \$120 million.

Your company has also announced plans to acquire the United Bank of Arizona, headquartered in Phoenix. The bank's assets total about \$110 million.

Avco's principal life insurance subsidiary, The Paul Revere Life Insurance Company, continued to grow during the year in the life and accident and health insurance areas. The Paul Revere Variable Annuity Insurance Company also improved its results. A mutual fund has recently been established by the Paul Revere group.

#### **Operating Highlights**

Sales of Avco Lycoming reciprocating engines in 1968 were the highest in history. Under a continuing intensive engineering program, Avco progressed significantly in the development of a new series of light aircraft engines which will operate at higher speeds and greater efficiency than current models.

Also during the year, Avco Aerostructures Division received a \$575 million subcontract for wing assemblies

for the huge Lockheed 1011 commercial jet transport.

Despite the sharp rise of the past few years in the proportion of earnings derived from commercial business, sales to the government continue to be very important. An Avco produced heat shielding system successfully protected the Apollo astronauts from the searing heat of reentry into the earth's atmosphere after their historic moon orbital flight in December 1968.

Avco Lycoming gas turbine engines power more than 80 per cent of the helicopters produced in the United States. As a result of experience in the Southeast Asia conflict, the uses of helicopters have been materially broadened. At the same time significant advances in the design of our turbines indicate there may soon be additional economic applications for the engines in marine craft, in wheeled and tracked vehicles and in industrial uses now served by reciprocating engines.

Avco's efforts to provide training and jobs in areas of high unemployment advanced significantly in 1968. At a printing plant using temporary quarters in the Roxbury district of Boston, more than 200 formerly jobless work-

ers have learned printing and other skills and will soon become the nucleus for the operation of a new plant which Avco is building in that area. The training program is government assisted, but Avco is investing \$2.3 million of its own funds in this new operation.

#### **Outlook**

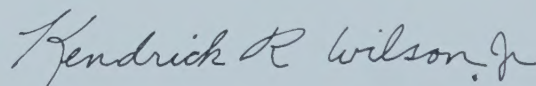
The prospects for your company in 1969 and for the future appear excellent. Avco plans to continue an aggressive policy of selective acquisitions and internal development aimed at intermediate and long term growth.

It is with profound sorrow that we record the untimely death last spring of Edward H. Litchfield who, as a director, served Avco devotedly and well.

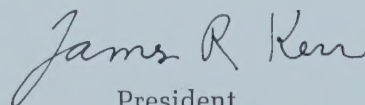
We also note with appreciation the faithful service of Earl H. Blaik as Chairman of the Executive Committee and Matthew A. McLaughlin as Vice President and General Counsel, both of whom have recently retired as officers of the corporation.

On behalf of the Board of Directors, we thank you, the stockholders of Avco, for your support.

By order of the Board of Directors



Chairman



President

February 5, 1969

## Operations, Products and Services

 **AEROSTRUCTURES DIVISION**  
NASHVILLE, TENNESSEE

Structures and assemblies for aircraft and helicopters—ballistic missile cases—space vehicle cold plates—engineering design and development programs—metal office furniture manufactured under contract.

 **BAY STATE ABRASIVES DIVISION AND SUBSIDIARIES**  
WESTBORO, MASSACHUSETTS; TORRANCE, CALIFORNIA;  
BRANTFORD, ONTARIO, CANADA; STEINSEL, LUXEMBOURG

Vitrified and resin bonded grinding wheels and segments—honing stones—abrasive cutoff blades—diamond grinding wheels and cutoff blades—open-mesh coated abrasive cloth—plasma spray coatings and equipment.

 **ELECTRONICS DIVISION**  
CINCINNATI, OHIO; HUNTSVILLE, ALABAMA; TULSA, OKLAHOMA

Tactical communications systems and equipment—space electronics systems and equipment—radar systems—infrared systems—specialized instrumentation—information systems—field engineering—commercial electronics products.

 **EVERETT RESEARCH LABORATORY**  
EVERETT AND HAVERHILL, MASSACHUSETTS

Reentry physics—plasma dynamics—magnetohydrodynamic (MHD) power generators for commercial and military applications—superconductive devices—space science and technology—biomedical engineering and cardiac assist device research—high power gas laser research and technology.

 **LYCOMING DIVISION**  
STRATFORD, CONNECTICUT; CHARLESTON, SOUTH CAROLINA

Gas turbine engines for fixed wing aircraft, helicopters and ground vehicles—marine and industrial engines—engine components—missile re-entry vehicles and structural components—rocket motor cases—fuel and oxidizer tanks—ground support equipment for missiles—constant speed transmissions—precision sheet metal fabrication—aircraft mechanical controls—water and air dynamometers—torque measuring systems—engine testing equipment.

 **LYCOMING DIVISION**  
WILLIAMSPORT, PENNSYLVANIA

Reciprocating engines for fixed wing aircraft and helicopters—engine components—hardened and ground precision parts—landing gears—Avco Spencer heating boilers—industrial diesel and gasoline engines.

**MISSILE SYSTEMS DIVISION**

WILMINGTON, MASSACHUSETTS

Missile reentry systems—systems analysis—structural and heat protection systems—penetration aids for strategic and tactical weapons systems—flight test planning, support and analysis—arming and fuzing systems—telemetry and instrumentation—supporting and exploratory research—computer services.

**NEW IDEA FARM EQUIPMENT DIVISION**

COLDWATER, OHIO; FORT DODGE, IOWA

Avco New Idea Uni-System line of self-propelled corn pickers, shellers, combines, forage harvesters, tool carriers, rotary snow plows—tractor mounted and pull type corn pickers, snappers, picker-shellers, picker-grinders—manure spreaders—spinner type and gravity flow fertilizer spreaders—farm wagons, forage boxes—farm elevators—hydraulic loaders and attachments—shredders, rotary cutters, mowers, hay conditioners, Mow/ditioners, Cut/ditioners, parallel bar rakes, wheel rakes—silo unloaders, bunk feeders and barn cleaners.

**ORDNANCE DIVISION**

RICHMOND, INDIANA

Improved nonnuclear munitions and ordnance—antimateriel and antipersonnel munitions—missile and rocket arming and fuzing—missile, mine, hand grenade, mortar and artillery warheads—air launched munitions—special weapons for limited warfare—Avroc rocket boosted ammunition—special ordnance weapons electronics.

**SPACE SYSTEMS DIVISION**

LOWELL, MASSACHUSETTS

Heat protection subsystems— aerospace subsystems—satellite applications—bioengineering—environmental science—composites and specialty materials—armor subsystems—testing and materials evaluation—specialized instrumentation—manufacturing services.

**THOMPSON STEEL DIVISION**

BOSTON, MASSACHUSETTS; BALTIMORE, MARYLAND;  
FRANKLIN PARK, ILLINOIS; WORCESTER, MASSACHUSETTS;  
ROSEVILLE, MICHIGAN; WEST CALDWELL, NEW JERSEY

Cold rolled strip steel—annealed high carbon steel—tempered spring steel—alloy strip steel—brush wire—staple wire—high carbon spring wire—bright and liquor finished fine wire specialties.

**BROADCASTING CORPORATION**

CINCINNATI, OHIO

VHF television stations—WLW-T: Cincinnati, Ohio • WLW-C: Columbus, Ohio • WLW-D: Dayton, Ohio • WLW-I: Indianapolis, Indiana • WOAI-TV: San Antonio, Texas.

Radio Stations—WLW: Cincinnati, Ohio • WOAI: San Antonio, Texas • WWDC-AM-FM: Washington, D. C. • KYA and KOIT (FM): San Francisco, California.

Subsidiary—Avco Radio Television Sales, Inc.: New York, New York.

**DELTA CORPORATION, SUBSIDIARIES AND AFFILIATES**

NEW YORK, NEW YORK; VARIOUS LOCATIONS IN THE  
UNITED STATES AND CANADA

Consumer loans—retail installment sales financing—commercial and industrial financing—industrial banking—home improvement financing—farm equipment financing—insurance—savings and loan services.

**ECONOMIC SYSTEMS CORPORATION**

WASHINGTON, D. C.; BOSTON, MASSACHUSETTS;  
POLAND SPRING, MAINE; MOSES LAKE, WASHINGTON

Education and training services—environmental control—economic development—urban systems—scientific techniques for the development and operation of socio-economic programs—printing.

**EMBASSY PICTURES CORP.**

NEW YORK, NEW YORK; LOS ANGELES, CALIFORNIA;  
LONDON, ENGLAND; PARIS, FRANCE;  
ROME, ITALY; VARIOUS OTHER LOCATIONS.

Worldwide motion picture production and distribution—theatrical and television operations—music publishing.

**CARTE BLANCHE CORPORATION (54 per cent owned)**

LOS ANGELES, CALIFORNIA

Credit card facilities—direct mail and catalog sales of merchandise.

Subsidiary—Cartan Travel Bureau, Inc.: Chicago, Illinois.

**MOFFATS LIMITED**

WESTON AND ORILLIA, ONTARIO, CANADA

Gas and electric free-standing, cabinet and built-in ranges—refrigerators and dishwashers—clothes washers and dryers—commercial cooking and food service equipment—range heating elements.

**THE PAUL REVERE CORPORATION**

WORCESTER, MASSACHUSETTS

**THE PAUL REVERE LIFE INSURANCE COMPANY**

WORCESTER, MASSACHUSETTS

Noncancellable and guaranteed renewable accident and health insurance—all forms of life insurance and fixed dollar annuities—group insurance.

**THE PAUL REVERE VARIABLE ANNUITY INSURANCE COMPANY**

WORCESTER, MASSACHUSETTS

Individual and group variable annuities.

**RANCHO BERNARDO, INC. (51 per cent owned)**

SAN DIEGO, CALIFORNIA

Land development.

**SEABOARD FINANCE COMPANY (approx. 90 per cent owned)**

LOS ANGELES, CALIFORNIA; VARIOUS LOCATIONS IN  
THE UNITED STATES, CANADA AND AUSTRALIA.

Consumer finance—credit life and casualty insurance.



Director Mike Nichols (dark jacket, top left) instructs "Graduate" crew shooting scene with Dustin Hoffman.

Stars Peter O'Toole and Katharine Hepburn (right) on camera for a dramatic sequence in "The Lion in Winter."

Stars Patrick O'Neal and Britt Ekland (left in center left photo) in a scene from "Stiletto."

Camera crew prepares for a location sequence in "A Nice Girl Like Me" (bottom left).

## MOTION PICTURES

Avco's acquisition of Embassy Pictures Corp. represented a substantial expansion of the corporation's activities in the leisure time and entertainment fields.

Avco Embassy is a major film company. It has a compact organization which concentrates on assembling casts and assigning directors who can transform carefully selected properties into entertainment vehicles which will merit popular appeal and critical acclaim.

Two outstanding examples of the success of this approach are "The Graduate" and "The Lion in Winter." "The Graduate," which won an Academy Award for Mike Nichols, its director, is expected to be one of the biggest money-makers in the history of the film industry. After a full year on a first run basis in selected theaters throughout the country, it is now being released for wider distribution.

"The Lion in Winter," the company's first road show attraction, received the coveted New York Film Critics Award for the best picture of 1968.

Within a month after the acquisition of Avco Embassy, a \$50 million program was started to expand the production of feature films, provide specials and series for television use, and increase participation in the music publishing field.

The company's current motion picture program, in terms of production investment and box office potential, is the largest in its history and includes some of the most

valued properties, directors, stars and screenwriters in films today. Among the properties in various stages of development are: a film version of the Broadway play, "Little Me;" "A Small Town in Germany," the current best selling novel by John Le Carré; "The Ski Bum," based on Romain Gary's best seller; "Willie," a biography of Somerset Maugham by Robin Maugham; Gene Fowler's life of John Barrymore, "Good Night, Sweet Prince;" "Stiletto;" and "A Nice Girl Like Me."

A new production office was opened in Los Angeles, and the London office was greatly expanded. In line with company plans to establish its own facilities for the distribution of motion pictures in foreign markets, Avco Embassy Pictures (UK) Ltd. became a United Kingdom film distributor.

Avco Embassy has agreed to acquire a corporation engaged principally in providing consulting, directing and supervisory services of Mike Nichols with respect to various entertainment properties in which the corporation has financial interests. These properties include "The Graduate," "Plaza Suite," "Catch 22" and two future motion picture productions of Avco Embassy.

Avco Embassy owns approximately 300 films, many of which are available for television release to networks or to local stations through syndication. Included are such films as Academy Award winners "Darling" and "Marriage Italian Style."

*The Paul Dixon Show, now 14 years old, is one of the reasons for the popularity of Avco Broadcasting's local live television programming. In addition to providing entertainment, all stations are involved in service activities designed to better community life in their home areas.*

## BROADCASTING

Avco Broadcasting Corporation, which operates five television stations and six radio stations, is a national leader in the field of local live TV programming. This stress on local shows has a special appeal for sponsors because of the effectiveness of local personalities as on-the-air sales people.

In 1968, "Vivienne," a live show starring the former Metropolitan opera star, Vivienne Della Chiesa, which had been appearing in Cincinnati, was expanded into Avco Broadcasting's three additional midwestern TV markets. The Phil Donahue Show, a live show in Dayton, completed its first year and had a solid sales record and audience domination in its time period.

The substantial increase in Avco's local sales of television time in 1968 was an indication that broadcasting is making significant progress in obtaining a larger portion of the advertising dollars spent by retail businesses.

WLW radio signed two important sports broadcasting contracts during the year. The first was to broadcast the football games of the Cincinnati Bengals, the newest team in the American Football League, for three years. The second made the station the radio voice of the Cincinnati Reds baseball team for the next two years. The WLW television stations in Cincinnati, Dayton, Columbus and Indianapolis, which have been telecasting Cincinnati Reds baseball games, have signed an additional two-year contract.

In the 1968 election year, Avco Broadcasting was deeply committed to using its facilities to inform the voting public. As a part of this effort, national, state and local candidates were invited to make appearances on Avco Broadcasting radio and television programs, and nearly 100 candidates made use of the free broadcast time offered them.

Six news internships, which gave full-time summer employment in television and radio news work, were provided during the past year to qualified university students in Cincinnati, Dayton, Columbus, Indianapolis, San Antonio and Washington, D. C. For the second year the company also sponsored promotion-publicity internships in Cincinnati, and it initiated such a program in Columbus.

Avco Radio Television Sales, Inc., which sells time to national advertisers for Avco stations as well as other broadcasters, continued its healthy growth and moved into substantially larger headquarters in New York. The move was necessary in order to service a greatly increased volume of business.

Avco Broadcasting agreed to acquire the assets of WRTH Radio, Wood River, Ill., subject to FCC approval. This station serves the important greater St. Louis area, a radio market currently ranked as the tenth largest in the U.S.

Early in 1969, Avco sold its 50 per cent interest in Meredith-Avco, Inc., a community antenna television company.





## INSURANCE

The Paul Revere companies further diversified and expanded their financial planning services during the year by establishing a mutual fund. Shares in the fund will be offered to the public following completion of all necessary registrations with federal and state authorities.

The addition of mutual fund capability to Paul Revere's recently established variable annuity activities, places Paul Revere among those major insurance companies which have recently entered the equity field. These moves have opened new markets for the company. Besides offering life and accident and health insurance with their traditional guaranteed fixed benefits, Paul Revere can now offer both existing and new clients equity products for a variety of savings and retirement needs.

The Paul Revere Variable Annuity Insurance Company, formed three years ago to sell individual and group variable annuity contracts, continues to grow. It is now licensed in 31 states and the District of Columbia. The variable annuities accumulation fund, which holds the net assets for the investment portfolio, grew from \$3 million at the end of 1967 to \$8.4 million at the end of 1968.

The variable annuity is an equity savings product which also provides the contract owner with deferred tax opportunities. Clients are using it as a funding vehicle for retirement, pension, profit sharing, tax shelter and deferred compensation plans, and especially as a retirement vehicle for the self-employed.

The entrance of Paul Revere into the mutual fund area, coupled with its variable annuity activities, is part of a twofold marketing strategy.

First, it is a means of preventing the loss of a prospect who is not interested in additional conventional insurance but might be interested in equities.

Second, it is an aggressive program aimed at winning back savings dollars that the insurance industry has lost to other financial institutions. Included in this competition are commercial banks, noninsured pension funds, mutual savings banks, state and local government retirement funds, investment companies and credit unions.

The Paul Revere Life Insurance Company, which operates in the fields of life and accident and health insurance, is one of the comparatively few life insurance companies which are licensed to operate in all 50 states and Canada.

Paul Revere's new eight story addition to its Worcester headquarters is currently being completed. It will be in full use in 1969 and will increase the headquarters office space by 60 per cent.

Paul Revere was one of the first companies in the country to oversubscribe its share of the "Billion Dollar Pledge" made by the life insurance industry. These monies are being invested in job and housing improvement in ghetto areas across the country. In Worcester, Paul Revere helped launch a major urban renewal project in the downtown area.



In 1968 Avco Delta established its international headquarters on the top five floors of this new building in Shaker Heights, Ohio (top left). "Avco Center," as the complex is called, was designed and furnished by Walter Gropius and includes an outstanding collection of contemporary art.

Computers (top right) at Avco Delta headquarters maintain records on every outstanding account in the U.S. and Canada.

The Avco Finance office in Omaha (bottom) is one of many new offices opened by this division in the U.S. during the year.

## FINANCIAL SERVICES

Avco's financial services operations have more than doubled in the past four years. Through internal growth, and the acquisition of Seaboard Finance Company early in 1969, they will be more than doubled again in the coming year.

In the past four years Avco's principal finance subsidiary, Avco Delta Corporation, has grown substantially. Its receivables outstanding and gross revenues have each more than tripled, and it has current assets in excess of \$650 million. It now operates 541 offices in the United States and Canada, an increase of 2½ times during this period.

Avco Delta provides financing to the public, and to a lesser degree to business, through nine separate divisions handling consumer loans, retail installment sales contracts, wholesale financing, capital loans and insurance. The divisions operate in 31 states of the United States and in all 10 of the Canadian provinces.

To gain maximum effectiveness from these divisions, and to develop new business opportunities and achieve economies in their operations, Avco Delta formed a new department during the year to coordinate all marketing functions. It also instituted a feasibility study and market test of a financial service center concept which would offer a wide variety of services to the customer.

In mid-1968, Avco Delta established its international

headquarters in Cleveland, Ohio. In London, Ontario, construction was started on the new Canadian head office building, with occupancy expected early in 1969. A total of 73 new offices were opened elsewhere in the United States and Canada.

Seaboard Finance Company is an international finance company primarily engaged in making personal loans. It operates 1,020 offices in 46 states of the United States, eight Canadian provinces and two Australian states.

Seaboard's major business is making direct loans to individuals in small amounts for relatively short periods, but it also acquires installment sales contracts from furniture, appliance, and radio and television dealers.

Seaboard also conducts an insurance business through subsidiaries. Provident Alliance Insurance Company, Limited, underwrites and reinsures credit life and disability risks for finance companies, while Balboa Insurance Company underwrites specialized property and automobile coverages for commercial banks, mortgage companies, sales finance companies, and other consumer finance companies. Balboa currently sells insurance in 38 states and the District of Columbia.

From 1959 to the close of its 1968 fiscal year, Seaboard has shown a healthy growth. During that period its net income increased from \$7.9 million to \$13.3 million; its receivables outstanding rose from \$280 million to \$515

*With the creation of an international department, use of Carte Blanche credit cards (top left) is expanding in overseas markets.*

*Rancho Bernardo (top right) is a 5,800-acre "new town" being developed 20 miles from downtown San Diego.*

*At one of many establishments honoring Carte Blanche credit cards, a hostess charges a meal (lower left).*

*Vacationers (lower right) enjoy the personalized planning Cartan Travel incorporates in tour itineraries.*

million, and its employed assets grew from \$321 million to \$577 million.

The Ventura Savings and Loan Association provides savings and loan services. During the past year, Ventura became the largest individual savings and loan office in Ventura County, a growing area 65 miles north of Los Angeles. Helping it to achieve that position was its expansion into the field of home improvement and its move into land and residential development by starting construction on 75 single family dwellings in Ventura and Santa Barbara counties.

After the close of the fiscal year, Avco agreed to acquire Huntington Savings and Loan Association, subject to receiving all necessary approvals from regulatory authorities. Avco plans to merge Ventura into Huntington. Huntington has five branches in Southern California.

Coastline Mortgage Corporation also provides real property financing for Avco in Southern California.

Avco's acquisitions of majority interests in Carte Blanche Corporation and Rancho Bernardo, Inc., as well as Carte Blanche's recent purchase of Cartan Travel Bureau, Inc., provide additional opportunities for expanding its financial services activities in the fields of leisure time and land development. These companies will help Avco meet the needs of a growing population which is seeking new ways to spend its leisure time.

Carte Blanche, with world headquarters in Los Angeles,

is the country's third-largest travel and entertainment, or general purpose, credit card operation. It currently has more than a half million members holding its domestic and internationally honored card. Approximately 160,000 associate establishments, including hotels, motels, airlines, restaurants, car rental agencies, service stations, shops and florists, honor the card. Carte Blanche members receive immediate credit at more than 1,300 hospitals throughout the country. Cardholders may also purchase special insurance programs and selected prestige merchandise. Carte Blanche's expanding foreign operations have gained new impetus with the creation of an International Department to further develop worldwide markets. During 1968, a European headquarters office was established in London.

Cartan Travel, headquartered in Chicago, is one of the country's leading travel firms in the operation and sale of domestic and international tours. The company offers its tours through more than 1,600 U.S. travel agency outlets.

Late in the year, Avco further widened its participation in the service industries by acquiring majority control of Rancho Bernardo, Inc., a land development concern based in San Diego. The company's main activity at this time is the development of Rancho Bernardo, a 5,800-acre "new town" within the city limits of San Diego and about 20 miles north of the downtown area.





Most of the planes shown in this scene at Teterboro Airport are powered by Avco Lycoming engines. Teterboro, just outside of New York City, is one of the busy general aviation airfields serving the growing pleasure and business aircraft industry.

## COMMERCIAL AND INDUSTRIAL PRODUCTS

Keeping pace with the expanding field of general aviation, domestic and foreign sales of Avco Lycoming Division Williamsport reached record highs. Lycoming engines are sold throughout the free world to every major aircraft manufacturer using reciprocating engines.

To achieve a greater share of the expanding commuter line and corporate aircraft markets, research and development efforts concentrated on the continuing improvement of existing models of engines, turbocharging additional models, and developing models with higher horsepower. A new family of reciprocating engines which will incorporate such features as higher speeds, improved weight to horsepower ratios and overhead camshafts is also being developed.

Considerable interest was expressed overseas in a fully aerobatic (stunt flying) 200-horsepower, four-cylinder, fuel-injection engine which was introduced during the year. This is the only fully aerobatic engine approved by the Federal Aviation Administration.

Avco Lycoming Williamsport also markets a series of lightweight 4- to 40-horsepower diesel engines and 1½- to 10-horsepower gasoline engines manufactured by Bernard-Moteurs of France for a broad range of industrial uses.

One of the major projects of Avco Aerostructures in the commercial field is a subcontract on the huge Lockheed 1011 aircraft which will carry up to 345 passengers and be an important addition to the nation's transportation systems.

Under the Lockheed subcontract, Aerostructures anticipates sales of 350 ship sets of wings for a total price of \$575 million. Each ship set weighs 20 tons. The division is investing approximately \$40 million in plant facilities and tooling in 1969, and is developing new manufacturing techniques to start initial production activities by mid-summer 1969. It is expected that additional investments in facilities and tooling will be required as production increases.

A 350,000 sq. ft. manufacturing facility is being built to help service this subcontract, and the division's work force will be increased by 70 per cent in the next three years. Delivery of the first wing set is scheduled for early in 1970, with airline service of the luxury trijet expected by 1971.

Aerostructures also manufactures wings for the Grumman Gulfstream II business jets.

Avco Bay State Abrasives, third largest manufacturer of bonded abrasives, continued its growth last year. The division emphasized marketing of new products and development of new markets for existing products.

Response to the new V52 toolroom grinding wheels, first test marketed on a limited scale in 1967, was so favorable that the product was placed in national distribution in late 1968.

Bay State Abrasives leads the industry in expanding the use of grinding wheels for high metal removal operations. Many plants across the country are switching to grinding as a metal removal process to replace milling,

Coils of cold rolled steel (upper left) are a major product of Avco Thompson Steel Division

The new Uni-System tool carrier (bottom left) enables farmers to plant eight rows of corn or soybeans simultaneously

An employee checks new models on the production line at Moffats Limited (upper right), the largest manufacturer of electric and gas ranges in Canada

Students at the Avco Lycoming Williamsport school (middle right) learn the operation and maintenance of Lycoming engines

Abrasive-bond mix (lower right) is prepared prior to pressing a reinforced cutoff wheel at Avco Bay State Abrasives Division

shaping and planing operations.

Notable advances in the development of large diameter (up to 48 inches) cutoff wheels for applications within the steel and forging fields were made last year. Research at the Westboro plant produced a line of rugged abrasive cutoff wheels capable of cutting tough, high strength alloy metals on a production basis—a process not economically feasible using other methods of cutting.

Demand has increased for the patented Copperdyne diamond wheel because of its versatility and cost saving qualities. Sales of the Copperdyne aluminum oxide wheel, which has become the basic tool for electrochemical form grinding, have quintupled since 1965.

The Avco New Idea Division added a rotary snow plow and a tool carrier to its Uni-System line of self-propelled combines, forage harvesters, corn pickers and shellers.

The snow plow, which clears a nine-foot wide path, adds a winter use to the Uni-System. The tool carrier adds a spring use by enabling farmers to plant as many as eight rows simultaneously, and at the same time apply a liquid fertilizer, herbicides and/or insecticides. Introduction of the tool carrier is the result of continuing development of larger and more sophisticated farm equipment to meet the needs of larger farms.

Another addition to the New Idea line of specialized farm equipment is a three-point hitch, spinner-type fertilizer spreader which features fast and accurate spreading of all types of commercial fertilizer and many kinds

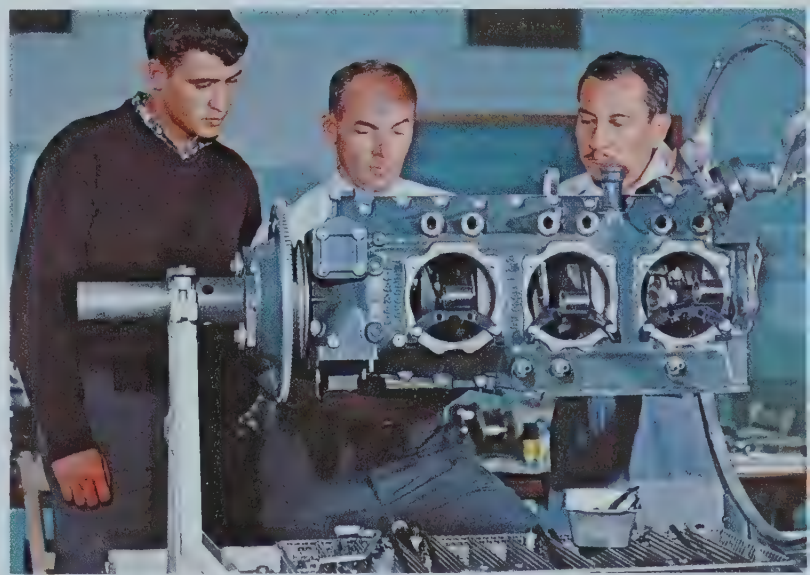
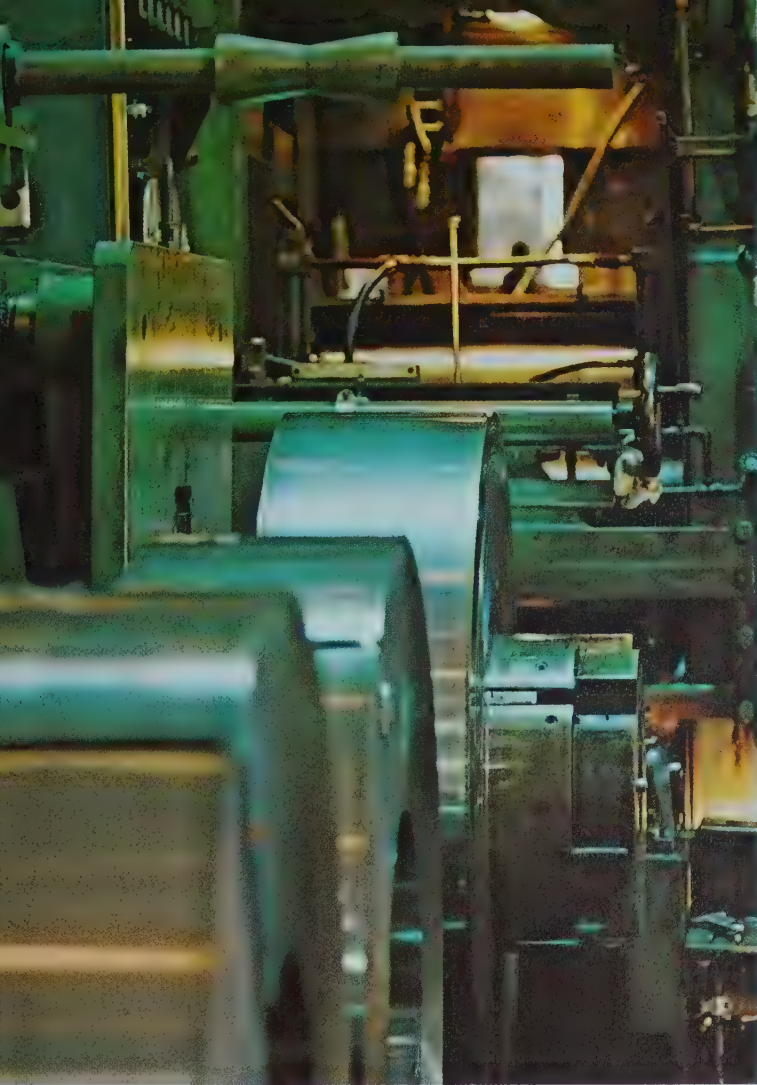
of seeds. This new machine is marketed through distributors under both the New Idea and Avco Ezee Flow brands.

New Idea's plants were expanded during the year by the addition of a 300,000 sq. ft. manufacturing facility in Coldwater, Ohio, and a 40,500 sq. ft. assembly facility at Fort Dodge, Iowa.

Avco Thompson Steel Division produced about ten per cent of the cold rolled strip steel marketed in the U.S. in 1968. The division is one of the leading manufacturers not only of cold rolled strip steel but also of annealed high carbon alloy and spring steels. These products are manufactured at Thompson's Boston, Chicago and Baltimore plants, while specialty fine wire is produced at its Worcester plant.

Moffats Limited, the largest manufacturer of electric and gas ranges in Canada, increased its dominant share of the market in 1968. Significant increases were also made in sales of refrigerators. During the year Moffats introduced a new line of ranges with self-cleaning ovens.

To service this subsidiary's continued growth, which has shown a 100 per cent sales increase over the past six years, construction was started on a new 150,000 sq. ft. plant. This will enlarge Moffats' facilities to more than 635,000 sq. ft. Assembly lines are scheduled to be in operation by August 1969. The new plant is expected to be the most modern facility in Canada producing electric and gas ranges.





*The Apollo 8 spacecraft being loaded aboard the aircraft carrier Yorktown after its return from the historic moon orbital flight. Avco makes the ablative heat shielding that withstood the searing 5,000-degree Fahrenheit temperatures of reentry.*

## GOVERNMENT PRODUCTS AND SERVICES

A number of Avco's divisions are engaged in supplying products and services to the government.

Avco Aerostructures is fabricating wing assemblies for the Lockheed C-5 Galaxy under a long term contract. This military cargo and troop transport, which is the world's largest aircraft, was successfully flown for the first time in 1968. Under consideration by Lockheed is production of a commercial version of the C-5, designated as the L-500.

Aerostructures continued production during the year of tail assemblies for the Lockheed C-130 Hercules transport and tailboom assemblies for both military and commercial versions of Bell helicopters.

Late in the year, the division's role as a principal subcontractor of the Boeing Company's supersonic jet transport program was being redefined as a result of a design change from a swing wing concept to that of a fixed wing aircraft.

To enlarge its capabilities in the developing supersonic air age, Aerostructures conducted research on structural applications for composite materials and investigated new fabrication and tooling techniques for advanced aircraft structures.

Avco, through its Economic Systems Corporation, became the first major corporation in the country to participate in the new "Business-Government Partnership Program" to hire and train the disadvantaged. The Roxbury Division established printing facilities in a ghetto area of Boston to provide printing services for both the corporation and other customers. The success of this operation has prompted government agencies and private organizations to seek the help of Economic Systems Corporation in training underemployed and unemployed persons.

Economic Systems continues to operate two Job Corps Centers in Maine and Washington for the Office of Economic Opportunity.

Avco has started a multi-million dollar program of manufacturing, service operations and economic development at the former Glasgow Air Force Base in Montana. The initial contract was awarded to Economic Systems by the Army to renovate and manufacture ordnance components there, and an estimated 300 persons will be initially employed at the base as Avco transforms the 6,800-acre complex into a self-contained industrial community.

Economic Systems was awarded two contracts with

An Avco Electronics Division radar technician (left) adjusts a radar antenna designed and built for use in missile warning and detection systems.

A technician designs the printed circuits (upper right) which, in miniature card form, will be used by Electronics Division in the manufacture of electronic products for aircraft, ground and space applications.

At Avco Missile Systems Division (lower right), a reentry vehicle model, acting as an antenna, glows as it simulates reentry into the atmosphere under high-altitude test conditions.

home builders associations in Houston and San Antonio to provide special job training in the construction industry for 660 disadvantaged individuals. A new southwestern division headquarters was opened in San Antonio.

Avco Lycoming Division Stratford established records in the production of gas turbine engines for vertical lift and fixed wing aircraft. During the year the 10,000th T53 engine was delivered. The T53 powers the Bell Huey series of helicopters, the 15-place commercial Bell helicopter and the Grumman Mohawk, the Army's high speed observation aircraft. An advanced model of the T55 engine with increased horsepower is now being used on the Boeing Chinook Army transport helicopters. The division's Charleston plant is being almost doubled in size to 800,000 sq. ft.

Avco Lycoming Stratford continued to develop turbine engines for other applications besides the aircraft market.

For the Army, a Lycoming gas turbine engine for heavy land vehicles successfully completed test trials. This engine, with its fuel-saving regenerator, occupies the same amount of space as a diesel engine in an M-48 tank, yet it delivers approximately twice the horsepower of the diesel. Testing will continue as part of an Army program

to provide improved power for tanks and heavy surface vehicles of the 1970's. The Navy has chosen a new Lycoming propulsion system as the power plant for two new shallow draft "Riverine" boats.

Avco also continued to develop a number of commercial applications for its engines. Vosper Thornycroft of Great Britain selected Lycoming engines for the prototype of its 324-passenger hovercraft designed for 40-knot ferry service across the English Channel. In the industrial field, Lycoming delivered to a Canadian company its first engine to be used as a power source for gas pumping units. A prototype engine was sold for evaluation as a power source for oil fracturing rigs which are used to increase oil well production.

Avco Electronics Division maintained its position of leadership in high frequency communications technology for both airborne and ground communications. Increased sales were registered in the areas of tactical communications, shock machines for ballistic missile test programs, and infrared systems. A significant program during the year was the production of command equipment for the Orbiting Astronomical Observatory, the nation's largest and most complex scientific satellite, as well as its Atlas



*Avco Lycoming Stratford (top), by developing more powerful gas turbine engines, has increased the tactical mobility Bell helicopters provide the armed services.*

*At Avco Economic Systems Roxbury Division (middle left), over 200 persons are being trained in the printing trade.*

*Workmen at Avco Aerostructures Division (lower left) fabricate a section of a wing for the C-5 Galaxy, the mammoth Air Force troop transport.*

*At Avco Ordnance Division (middle right), skilled fingers assemble components for arming and fuzing devices.*

*An Avco Everett Research Laboratory technician (lower right) inspects a heavy ion plasma accelerator which will enable scientists to learn more about the nuclear structure of heavy atoms.*

launch vehicle and Centaur upper stage.

Avco's heat shield successfully performed a number of critical missions in 1968, including the Apollo 7 and 8 space flights. The Space Systems Division's successful development of the heat shield has fostered a number of far-reaching and related research projects aimed at furthering manned and unmanned space exploration. Ablative materials are being applied to tactical missiles to enhance survival in an aerothermal environment. A prototype facility for biological sterilization of the planned Mars 73 probe is being built for the National Aeronautics and Space Administration.

Avco Everett Research Laboratory continued programs to develop magnetohydrodynamic (MHD) central station power plants and emergency MHD plants to satisfy peak power demands and prevent power blackouts. MHD is a process by which electric power is produced by forcing ionized gas through a magnetic field. The practicality of developing a lightweight aircraft MHD generator for specialized use by the Navy and Air Force is also being investigated.

The intra-aortic balloon pump designed to give immediate aid to heart attack victims has performed excellently in recent tests on animals. The Laboratory is working with Massachusetts General Hospital and several

other major hospitals on this program. Pulsed gas lasers developed by the Laboratory are now being marketed for a number of uses. Among them are high speed photography, photochemistry, underwater mapping and measurement of pollutants from smokestacks.

During 1968 Avco Missile Systems Division significantly advanced the state-of-the-art of missile-borne electronic and electromechanical equipment by developing and testing highly miniaturized and precise components for instrumentation and control. A penetration aids delivery system was devised to assist in the problem of tactical aircraft penetration in attack missions.

Following acceptance by the Army of the proprietary Avroc (Avco rocket-boosted) ammunition principle, two contracts were awarded Avco Ordnance Division to develop 40mm Avroc ammunition. One is for grenade launchers installed on a new series of helicopters and on armored personnel carriers. The other is for hand-held grenade launchers. Divisional research and development activities concentrated on programs concerned with arming and fuzing, munitions, and expansion of the Avroc principle to additional calibers of ammunition.

Avco Computer Services, Avco's computer center in Wilmington, Mass., serves a variety of commercial and scientific customers in the New England market.



## REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

### ARTHUR YOUNG & COMPANY

277 PARK AVENUE  
NEW YORK, N. Y. 10017

The Board of Directors and Stockholders  
Avco Corporation

We have examined the accompanying statement of financial position of Avco Corporation (by group and consolidated) at November 30, 1968 and the related statements of earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due on U.S. government contracts, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Avco Corporation (by group and consolidated) at November 30, 1968 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Young & Company*

February 5, 1969

## 1968 FINANCIAL REVIEW

### General

CONSOLIDATED EARNINGS—  
Comparative results for 1968  
and 1967 were as follows:

	1968		1967	
	\$000	Per outstanding common share	\$000	Per outstanding common share
Earnings before extraordinary capital gain	\$57,022	\$3.76	\$53,247	\$3.44
Extraordinary capital gain	—	—	20,439	2.03
Net earnings	<u>\$57,022</u>	<u>\$3.76</u>	<u>\$73,686</u>	<u>\$5.47</u>

The federal income tax surcharge amounted to \$3,780,000 or \$.35 per outstanding common share in 1968. Average outstanding common shares of Avco were 10,687,106 in 1968 and 10,130,707 in 1967.

Earnings per common share, calculated on the total of the outstanding common shares and the common shares into which Avco's \$3.20 preferred stock is convertible, were as follows:

	1968	1967
Earnings before extraordinary capital gain . . . . .	\$2.69	\$2.48
Extraordinary capital gain . . . . .	—	.97
Net earnings . . . . .	<u>\$2.69</u>	<u>\$3.45</u>

Under accounting concepts presently being developed for reporting earnings per common share, Avco's \$3.20 convertible preferred stock might in the future be treated as the equivalent of common stock. In such event, the only earnings per common share which would be in conformity with generally accepted accounting principles would be those based on common shares including the common shares into which the \$3.20 preferred stock is convertible. Consolidated earnings reflect the results of operations of Embassy Pictures Corp. (now Avco Embassy Pictures Corp.) acquired in 1968 in a transaction accounted for as a pooling of interests. Avco's acquisition of shares of Seaboard Finance Company was treated as a purchase for accounting purposes and was not effective until 1969.

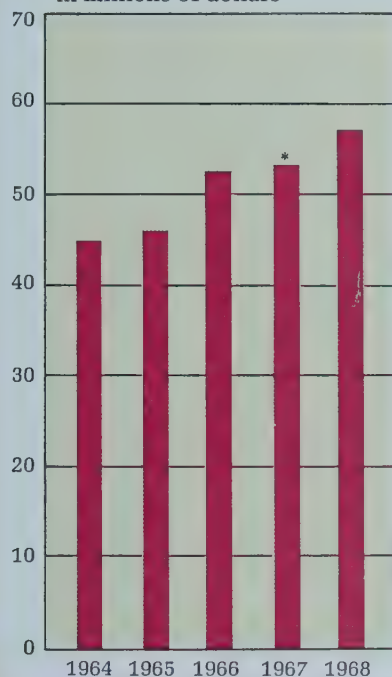
**BASIS OF REPORTING** — In addition to the consolidated financial position and results of operations of Avco and all of its subsidiaries, Avco's financial statements also present three functional groups—1) *Products and services*, which include all commercial manufacturing and government operations, as well as broadcasting and motion picture activities, 2) *Insurance*, which is composed principally of The Paul Revere Life Insurance Company, but also includes The Paul Revere Variable Annuity Insurance Company and the insurance activities of Avco's finance operations, and 3) *Finance*, which includes Avco Delta Corporation (except for its insurance activities) and its finance company subsidiaries, and Avco's other financial services operations.

**DEBT AND CAPITAL STOCK** — In response to Avco's exchange offer for shares of Seaboard Finance Company, approximately 90% of the outstanding voting shares of Seaboard had been tendered as of January 31, 1969. In exchange for such shares, Avco is issuing approximately \$85,000,000 principal amount of its 5½% convertible subordinated debentures, approximately \$68,000,000 principal amount of its 7½% subordinated debentures and warrants to purchase approximately 2,700,000 shares of its common stock. In January 1969, Avco's stockholders approved an increase in the number of its authorized common shares to 40,000,000. For more information about Seaboard Finance Company and the newly issued debentures and warrants, see Note 1 to the consolidated financial statements.

### Products and Services

**SALES AND BACKLOG**—Sales of the products and services group increased 18% to \$939,571,000 in 1968 from \$795,719,000 in 1967. A breakdown of sales

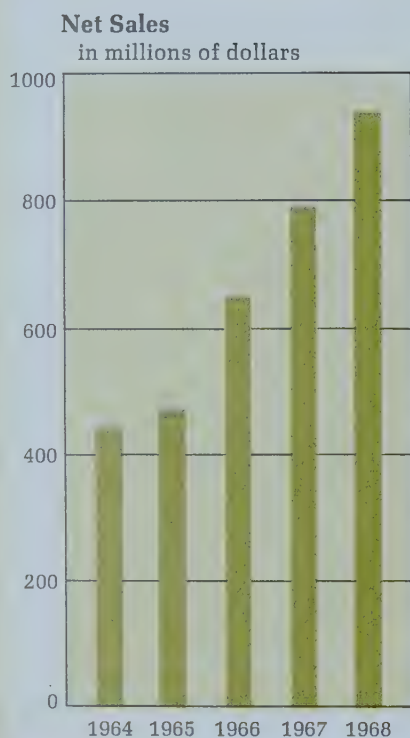
**Consolidated Earnings**  
in millions of dollars



\*Excludes extraordinary capital gain of \$20.4 million

for the two years is as follows:

	1968	1967
	(Thousands of dollars)	
Government		
Research and development .....	\$127,784	\$153,789
Aircraft engines and components and airframe components .....	352,714	280,485
Electronics, missile components, space products and ordnance .....	121,216	90,178
Other .....	11,403	9,833
	<u>613,117</u>	<u>534,285</u>
Commercial		
Aircraft engines and components and airframe components .....	80,589	58,220
Broadcasting .....	29,730	26,184
Motion pictures .....	42,319	12,702
Consumer products, including specialized farm equipment .....	96,724	92,211
Industrial abrasives and steel products .....	74,408	66,942
Other .....	2,684	5,175
	<u>326,454</u>	<u>261,434</u>
	<u>\$939,571</u>	<u>\$795,719</u>



Avco's backlog of government and long term commercial orders rose to \$1,381,298,000 at the end of 1968 from \$883,385,000 at the beginning of the year. Although most of Avco's commercial products and services sales are made on a current or short term basis, one notable exception included above was the subcontract awarded to Avco during 1968 to produce wing assemblies for Lockheed Aircraft Corporation's L-1011 commercial jet transport. Under this subcontract, Avco anticipates sales of 350 ship sets of wings for a total price of \$575,000,000.

**MARGINS**—Pretax earnings of the products and services group increased in 1968 to 6.8% of sales from 5.6% in the prior year. Interest expense increased as a result of higher interest rates and increased borrowings needed principally to finance the expansion of acquired companies and the increase in manufacturing inventories and plant facilities required by higher sales.

**ACQUISITIONS AND DISPOSITION**—In 1968, Avco acquired all of the capital stock of Embassy Pictures Corp., a motion picture production and distribution company, in exchange for capital stock of Avco.

In 1968, Avco Embassy agreed to acquire a company engaged principally in providing consulting, directing and supervisory services of Mike Nichols with respect to various entertainment properties in which the company has financial interests.

In January 1969, Avco's 50% interest in Meredith-Avco Inc., a community antenna television company, was sold at a profit.

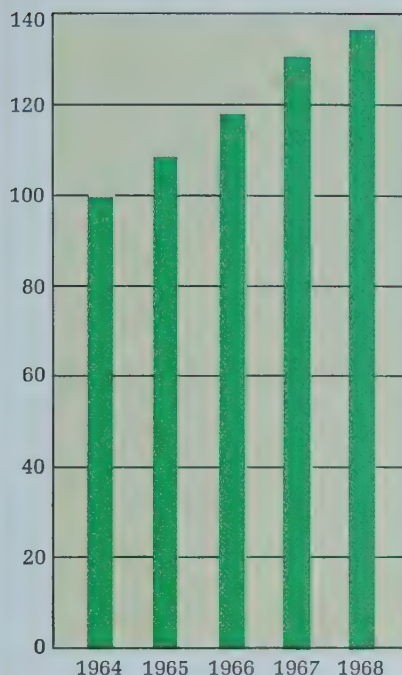
A subsidiary of Avco Broadcasting Corp. has agreed to acquire, subject to approval by the Federal Communications Commission, AM radio station WRTH, Wood River, Illinois, which also serves the St. Louis, Missouri, area.

**PLANT AND EQUIPMENT**—Total additions to plant and equipment of the products and services group were \$27,506,000 for 1968, compared to \$29,130,000 in 1967. The additions this year principally served to expand Avco's capability to meet the increased demand for gas turbine and reciprocating engines and airframe structures and to keep up to date Avco's technological capabilities in basic and applied scientific research.

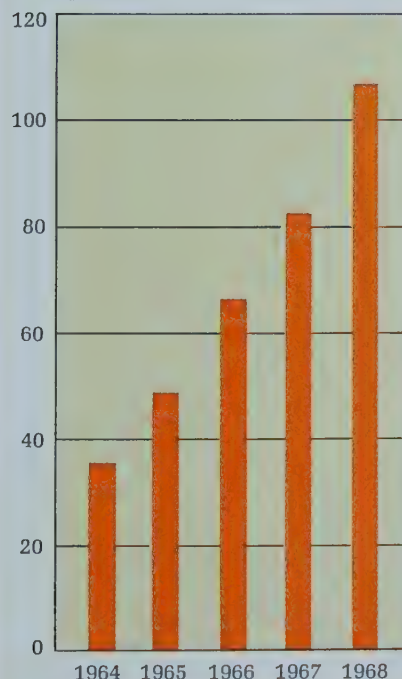
Depreciation expense of this group, computed principally by accelerated methods, amounted to \$14,252,000 in 1968 compared to \$12,119,000 in 1967.

**NOTES AND DEBENTURES PAYABLE**—During 1968, in connection with a refinancing of outstanding long term notes, Avco arranged loan commitments for an additional \$52,500,000 of long term notes from two insurance companies. See Note 3 to the consolidated financial statements for information concerning notes and debentures payable at November 30, 1968.

**Premiums and  
Investment Income**  
in millions of dollars



**Revenues from Interest,  
Discount and Service Charges**  
in millions of dollars



## Insurance

**GROSS INCOME** — Premium and investment income of Avco's insurance operations in 1968 rose to a record \$137,275,000 from \$130,548,000 in the prior year. Sales of individual life and accident and health policies by The Paul Revere Life Insurance Company reached record levels, as did sales of variable annuity contracts by The Paul Revere Variable Annuity Insurance Company.

Life insurance in force at Paul Revere Life has increased to \$2,139,110,000 from \$1,997,325,000 at the end of 1967.

**CAPITAL GAINS** — Net realized capital gains in the insurance operations declined in 1968 to \$13,032,000 from \$14,709,000 in 1967. At the end of 1968, unrealized appreciation (before any deduction for taxes which would result upon sale) in the security portfolio of the insurance companies was approximately \$20,000,000. It has been a long-standing investment policy of Paul Revere Life to emphasize in its common stock portfolio securities offering capital gain opportunities.

**MUTUAL FUND**—In 1968, Paul Revere decided to continue to increase its penetration of the market for equity-type products and, accordingly, organized a mutual fund whose shares are expected to be offered for investment to the public in mid-1969.

**ACCOUNTING PRACTICES**—Separate financial statements of Paul Revere Life, prepared on the basis prescribed by regulatory authorities, appear elsewhere in this report. Information on accounting practices followed by Paul Revere Life appears in Note 1 to its separate financial statements and in Note 1 to Avco's consolidated financial statements.

## Finance

**GROSS INCOME** — Interest, discount and service charge income of Avco's financial services companies increased 28% to \$106,527,000 in 1968 from \$83,393,000 a year earlier, primarily reflecting increased retail installment and consumer loan financing and the addition of credit card income.

**INTEREST AND DEBT EXPENSE**—Interest and debt expense of the finance group increased from \$29,120,000 in 1967 to \$37,186,000 in 1968, principally reflecting continued increases in the prime interest rate and the additional borrowings needed to support expanded lending operations.

**RECEIVABLES**—Receivables of the finance group rose from \$711,519,000 at the end of 1967 to \$749,025,000 at the end of 1968. The principal categories which accounted for this increase were home improvement and consumer financing and the addition of credit card receivables. The sale of The Ontario Loan and Debenture Company resulted in a substantial decrease in mortgage receivables.

**NOTES AND DEBENTURES PAYABLE** — For information concerning the outstanding notes and debentures of the finance group, see Note 3 to Avco's consolidated financial statements.

**ACQUISITIONS AND DISPOSITION**—The acquisition in 1968 of a majority interest in Carte Blanche Corporation added a major travel and entertainment credit card company to the wide variety of financial services offered by Avco. The effect on 1968 earnings of this purchase was not material. In December 1968, Carte Blanche acquired Cartan Travel Bureau, Inc., a firm which specializes in the operation and sales of domestic and international tours.

In December 1968, Avco purchased a majority interest in Rancho Bernardo, Inc., a California land development company.

As noted above, through January 31, 1969, Avco had acquired approximately 90% of the voting shares of Seaboard Finance Company, a nationally known personal loan company. Additional information concerning this transaction, including Seaboard's condensed financial statements for 1968, is in Note 1 to Avco's consolidated financial statements.

During 1968, The Ontario Loan and Debenture Company, a Canadian company similar to a savings and loan institution, was sold. This sale did not have a material effect on Avco's operations for 1968.

**AVCO DELTA CORPORATION**—This wholly-owned finance subsidiary continued its record of growth in 1968. Avco Delta's consolidated net earnings (including its insurance activities which are reflected in the "Insurance" group in Avco's consolidated financial statements) were \$8,957,000 for 1968 compared to \$6,792,000 in 1967.

## CONSOLIDATED EARNINGS

	Year ended November 30 <b>1968</b>	Year ended November 30 <b>1967</b>
	(Thousands of dollars)	
<b>PRODUCTS AND SERVICES</b>		
Net sales .....	<u>\$939,571</u>	<u>\$795,719</u>
Costs and expenses		
Cost of sales .....	756,568	657,006
Selling and administrative .....	81,434	64,254
Depreciation .....	14,252	12,119
Interest and debt expense .....	23,499	18,071
Income taxes .....	<u>35,845</u>	<u>23,245</u>
	<u>911,598</u>	<u>774,695</u>
Products and services earnings .....	<u>27,973</u>	<u>21,024</u>
<b>INSURANCE</b>		
Premiums and other insurance income .....	117,689	113,087
Investment income .....	<u>19,586</u>	<u>17,461</u>
	<u>137,275</u>	<u>130,548</u>
Expenses		
Benefits and reserve increases .....	83,318	84,325
Other operating expenses .....	39,179	31,439
Income taxes .....	<u>4,239</u>	<u>4,354</u>
	<u>126,736</u>	<u>120,118</u>
	<u>10,539</u>	<u>10,430</u>
Net realized capital gains, other than extraordinary capital gain shown below (less income tax: \$4,123,000 in 1968 and \$4,600,000 in 1967) .....	<u>13,032</u>	<u>14,709</u>
Insurance earnings .....	<u>23,571</u>	<u>25,139</u>
<b>FINANCE</b>		
Interest, discount and service charges .....	<u>106,527</u>	<u>83,393</u>
Expenses		
Interest and debt expense .....	37,186	29,120
Provision for losses on collection of receivables .....	12,284	9,029
Other operating expenses .....	45,345	31,955
Income taxes .....	<u>6,234</u>	<u>6,205</u>
	<u>101,049</u>	<u>76,309</u>
Finance earnings .....	<u>5,478</u>	<u>7,084</u>
<b>EARNINGS BEFORE EXTRAORDINARY CAPITAL GAIN</b> .....	<u>57,022</u>	<u>53,247</u>
Extraordinary capital gain, less income tax of \$7,363,000, on sale of marketable securities in connection with Paul Revere's pur- chase of common shares of Avco .....	<u>—</u>	<u>20,439</u>
<b>NET EARNINGS</b> .....	<u>\$ 57,022</u>	<u>\$ 73,686</u>
Earnings per common share (see page 29)		

See accompanying notes and financial review.

## CONSOLIDATED STOCKHOLDERS' EQUITY

	Year ended November 30, 1968				
	<u>Preferred stock</u>	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
	(Thousands of dollars)				
Balance at beginning of year, as previously reported .....	\$ 25,463	\$ 35,586	\$ 27,370	\$235,546	\$323,965
Exchange by Avco stockholders of 1,907,980 shares of common stock for 953,990 shares of \$3.20 preferred stock .....	5,724	(5,724)			
Exchange of 4,996 shares of \$3.20 preferred stock and 8,578 shares of common stock for common stock of The Paul Revere Corporation .....	30	26	(51)	410	415
Exchange of 306,123 shares of \$3.20 preferred stock and 204,081 shares of common stock for capital stock of Embassy Pictures Corp., less related expenses .....	1,837	612	(2,186)	848	1,111
Balance at beginning of year, as restated .....	<u>33,054</u>	<u>30,500</u>	<u>25,133</u>	<u>236,804</u>	<u>325,491</u>
Net earnings for the year .....				57,022	57,022
Cash dividends declared					
\$3.20 preferred stock .....				(16,387)	(16,387)
Common stock (\$1.20 per share) .....				(12,466)	(12,466)
Conversion of 536,381 shares of \$3.20 preferred stock into 1,072,762 shares of common stock .....	(3,218)	3,218			
Issuance of common stock upon conversion of 5% convertible debentures (17,700 shares) and exercise of options (6,337 shares) .....		72	291		363
Other .....	<u>41</u>	<u>(2)</u>	<u>410</u>	<u>(45)</u>	<u>404</u>
Balance at end of year .....	<u>\$ 29,877</u>	<u>\$ 33,788</u>	<u>\$ 25,834</u>	<u>\$264,928</u>	<u>\$354,427</u>

## CONSOLIDATED FINANCIAL POSITION

	November 30, 1968				November 30
	<u>Products and services</u>	<u>Insurance</u>	<u>Finance</u>	<u>1968 consolidated</u>	<u>1967 consolidated</u>
	(Thousands of dollars)				
<b>ASSETS</b>					
Cash .....	\$ 42,545	\$ 16,536	\$ 56,186	\$115,267	\$101,984
Investments, at cost (market: \$258,312,000 in 1968 and \$233,030,000 in 1967) .....	11,305	226,492	3,813	241,610	208,302
Receivables (including amounts due after one year)					
Mortgage .....		148,124	48,443	196,567	266,341
Retail installment .....			356,794	356,794	336,769
Consumer loans .....			266,223	266,223	212,089
Wholesale and capital loans .....			49,759	49,759	40,859
U.S. government contracts .....	127,978			127,978	104,734
Other .....	76,423	31,129	27,806	135,358	96,920
	204,401	179,253	749,025	1,132,679	1,057,712
Unearned discount and service charges ...			(91,605)	(91,605)	(78,244)
Allowance for losses .....	(1,281)		(14,475)	(15,756)	(12,349)
	203,120	179,253	642,945	1,025,318	967,119
Inventories, at the lower of cost or market					
U.S. government contracts .....	179,724			179,724	183,157
Progress payments .....	(94,009)			(94,009)	(101,147)
Commercial .....	97,823			97,823	92,288
	183,538			183,538	174,298
Property, plant and equipment, at cost					
Land .....	4,236	1,098	1,500	6,834	6,721
Buildings .....	97,954	9,902	5,200	113,056	89,277
Machinery and equipment .....	120,600	2,856	7,178	130,634	121,311
	222,790	13,856	13,878	250,524	217,309
Accumulated depreciation .....	(105,256)	(3,272)	(3,931)	(112,459)	(99,032)
	117,534	10,584	9,947	138,065	118,277
Other assets					
Intangible assets recognized in acquisitions, without amortization .....	25,429	1,439	44,918	71,786	49,399
Miscellaneous .....	16,202	14,046	18,766	49,014	32,526
	41,631	15,485	63,684	120,800	81,925
<b>TOTAL ASSETS</b> .....	\$599,673	\$448,350	\$776,575	\$1,824,598	\$1,651,905

See accompanying notes and financial review.

	November 30, 1968				November 30
	<u>Products and services</u>	<u>Insurance</u>	<u>Finance</u>	<u>1968 consolidated</u>	<u>1967 consolidated</u>
	(Thousands of dollars)				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued liabilities .....	\$109,639	\$ 10,347	\$ 18,710	\$138,696	\$138,866
Income taxes .....	20,227	3,236	3,913	27,376	30,290
Savings deposits .....			59,631	59,631	123,191
Insurance reserves .....		292,595		292,595	259,900
Notes and debentures payable (Note 3)					
Banks .....	176,282		120,567	296,849	260,773
Commercial paper .....	129,959		170,225	300,184	174,517
Other .....	72,622		267,887	340,509	333,677
Minority interests in subsidiaries .....			14,331	14,331	5,200
Stockholders' equity (Notes 1 and 2)					
Preferred stock, without par value					
Authorized: 6,458,000 voting shares					
Designated: \$3.20 cumulative convertible, stated at \$6 per share					
Outstanding: 4,979,729 shares in 1968 (liquidation preference: \$199,189,000) ..				29,877	33,054
Common stock, par value \$3 per share					
Authorized: Increased in January 1969 to 40,000,000 shares					
Outstanding: 11,262,755 shares in 1968 ...				33,788	30,500
Reserved in 1968: 10,169,161 shares					
Additional paid-in capital .....				25,834	25,133
Retained earnings (Note 4) .....				<u>264,928</u>	<u>236,804</u>
Total stockholders' equity .....	<u>90,944</u>	<u>142,172</u>	<u>121,311</u>	<u>354,427</u>	<u>325,491</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....</b>	<b>\$599,673</b>	<b>\$448,350</b>	<b>\$776,575</b>	<b>\$1,824,598</b>	<b>\$1,651,905</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: BASIS OF FINANCIAL STATEMENTS

Avco's consolidated financial statements include the accounts of all subsidiaries and have been restated for 1967 to include the accounts of Embassy Pictures Corp., acquired in a pooling-of-interests in 1968. This and other acquisitions during the year are described more fully in the 1968 Financial Review beginning on page 29.

Through January 1969, Avco had acquired approximately 90% of the outstanding voting shares of Seaboard Finance Company in exchange for approximately \$85,000,000 principal amount of 5½% convertible subordinated debentures, approximately \$68,000,000 principal amount of 7½% subordinated debentures and 10 year warrants to purchase an aggregate of approximately 2,700,000 shares of Avco common stock at \$56 per share. Both issues of debentures are due 5% in 1992 and the balance in 1993, and the 5½% debentures are convertible into Avco common stock at \$54 per share. Intangible assets recognized in this acquisition (carried without amortization) approximated \$115,500,000. Since this purchase was consummated after the end of Avco's fiscal year, it had no effect on Avco's 1968 financial statements. Financial information concerning Seaboard for its fiscal year ended September 30, 1968, which has been condensed from its published audited financial statements, is as follows:

#### SEABOARD CONSOLIDATED FINANCIAL POSITION

September 30, 1968  
(Thousands of dollars)

##### ASSETS

Cash and marketable securities .....	\$ 59,738
Installment notes and contracts receivable, net	499,780
Other receivables and prepaid expenses .....	10,913
Total current assets .....	570,431
Property and equipment .....	4,647
Other assets .....	2,188
Total .....	<u>\$577,266</u>

##### LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable:	
Banks and commercial paper .....	\$124,423
Long term debt due within one year .....	52,074
Insurance reserves and unearned premiums ..	27,839
U.S. and foreign income taxes .....	9,424
Other current liabilities .....	14,251
Total current liabilities .....	228,011
Long term debt due after one year .....	260,315
Stockholders' equity .....	88,940
Total .....	<u>\$577,266</u>

### SEABOARD CONSOLIDATED EARNINGS

Year ended September 30, 1968  
(Thousands of dollars)

Interest, finance charges, earned insurance premiums and other operating income .....	\$136,196
Expenses:	
Interest and debt expense .....	24,526
Provision for losses on receivables .....	11,946
Insurance losses and adjustment expenses ..	18,131
Other operating expenses .....	60,144
U.S. and foreign income taxes .....	8,113
	<u>122,860</u>
Net income .....	<u>\$ 13,336</u>

Annual dividend requirements on the Seaboard preferred shares and the minority interest in the above net income applicable to the common shares not acquired by Avco through January 31, 1969 aggregate approximately \$1,700,000. The annual interest cost, after income taxes, of the Avco debentures issued in the transaction through the same date is approximately \$4,400,000.

Accounting practices of The Paul Revere Life Insurance Company, Avco's principal insurance subsidiary, are those prescribed by regulatory authorities. Since these practices differ in some respects from accounting principles generally accepted for use by other industries, amounts reflected in Avco's consolidated financial statements have been appropriately adjusted. No allowance is made in the financial statements for the fact that costs incurred upon issuance of new policies are charged against earnings in the period incurred rather than deferred and amortized over the terms of the policies, the result of which is to reduce net earnings in a period of growth and increase net earnings in a period of decline in new business.

An offer to Avco shareholders early in 1968 permitting them to exchange two shares of Avco common held prior to the combination with The Paul Revere Corporation for one share of Avco's \$3.20 preferred stock resulted in the issuance of substantially all of the preferred shares offered.

Canadian dollar amounts have been translated at the established rate of exchange of \$1 Canadian = \$.925 U.S. At November 30, 1968, \$258,346,000 of receivables and \$9,230,000 of liabilities of finance companies were represented by accounts to be settled in Canadian funds.

### NOTE 2: CAPITAL STOCK

Avco common shares were reserved at November 30, 1968 for the following:

Conversion of \$3.20 preferred stock (each preferred share is convertible into two common shares) .....	9,959,458
Conversion of 5% debentures (at \$11.50 per share) .....	93,122
Exercise of employee stock options .....	116,581
	<u>10,169,161</u>

In connection with the acquisition of shares of Seaboard Finance Company subsequent to November 30, 1968 referred to in Note 1 above, an aggregate of approximately 4,300,000 additional Avco common shares has been reserved for the conversion of Avco's 5½% debentures and for the exercise of warrants which were issued in the transaction.

Of the 116,581 shares of common stock reserved at November 30, 1968 for stock options, under a plan approved by Avco's stockholders, there were options outstanding on 68,298 shares, of which options on 12,895 shares were then exercisable. The exercise prices of the outstanding options, which were above the market prices on the dates the options were granted, aggregate \$2,826,000, and the options expire at various dates between August 18, 1970 and October 15, 1973.

At November 30, 1967, there were reserved under the stock option plan 122,918 shares against which options on 34,635 shares were then outstanding. During the 1968 fiscal year, options on 40,000 shares were granted, 6,337 shares were issued on exercise of options and no options expired.

The \$3.20 preferred stock is not redeemable prior to January 1, 1973; thereafter, the redemption price is \$100 per share, decreasing \$2 annually until reaching \$80. Liquidation preference is \$40 per share.

### NOTE 3: NOTES AND DEBENTURES PAYABLE

At November 30, 1968, notes and debentures payable consisted of the following:

#### Products and services

##### Banks

Notes under Avco's revolving credit agreement providing for borrowings until April 15, 1970 to a maximum of \$125,000,000 at the prime rate .....	\$100,000,000
Notes due in increasing annual installments from \$10,900,000 in 1969 to 1972 when balance of \$8,457,000 is due, ½% over the prime rate (payable by The Paul Revere Corporation) .....	47,757,000
Other notes .....	28,525,000
Commercial paper .....	129,959,000
6¼% notes (an additional \$52,500,000, of which \$26,250,000 may be exchanged for outstanding commercial paper, will be issued in 1969 and 1970; annual prepayments are \$4,672,000 beginning in 1971 until 1988 when the balance is due) .....	47,500,000
Non-interest bearing notes due in annual installments of \$5,480,000 from 1969 to 1971 .....	16,436,000
5% convertible subordinated debentures due in 1979 .....	1,071,000
Other notes payable, maturities to 1990 ....	7,615,000
Total (including \$149,153,000 due within one year) .....	<u>\$378,863,000</u>

### Finance

Banks .....	\$120,567,000
Commercial paper .....	170,225,000
Senior notes, 5% to 7¾%, maturing annually to April 1, 1983 .....	182,186,000
Senior subordinated notes, 5¼% to 7%, maturing annually to September 1, 1981 ..	46,275,000
Junior subordinated notes, 5⅞% to 7¼%, maturing annually to June 30, 1988 .....	32,784,000
Other, 5½% to 7½%, maturities to 1979 ....	6,642,000
Total (including \$313,983,000 due within one year) .....	<u>\$558,679,000</u>

For information concerning \$85,000,000 of Avco's 5½% convertible subordinated debentures and \$68,000,000 of Avco's 7½% subordinated debentures issued subsequent to November 30, 1968, see Note 1.

### NOTE 4: RETAINED EARNINGS

Under agreements relating to notes and debentures payable, approximately \$35,200,000 of Avco's retained earnings at November 30, 1968, were not restricted as to the payment of cash dividends on common and preferred stock. This amount does not include retained earnings of the Paul Revere companies which can become available under the agreements upon payment of intercompany cash dividends.

### NOTE 5: RETIREMENT PLANS

Avco and its subsidiaries have in effect contributory and trustee non-contributory retirement plans covering substantially all employees. The cost of these plans, including amortization of past service cost which is not material, was \$10,268,000 in 1968 and \$8,815,000 in 1967.

### NOTE 6: INCENTIVE COMPENSATION

Under a plan approved by Avco's stockholders, there is payable as incentive compensation 10% of the amount by which defined earnings exceed 8% of defined capital, both as determined by Avco's independent auditors. Incentive compensation amounted to \$5,185,000 in 1968 and \$4,481,000 in 1967.

### NOTE 7: LITIGATION

As a result of the tender offer for Avco shares made by Paul Revere and the subsequent combination of that company with Avco, two actions have been brought against Avco, Paul Revere and certain directors. The first of these alleges failure to disclose material facts in connection with the tender offer, and the second alleges that the exchange ratio on which the combination of the companies was based is unfair to Avco. All of the defendants have been advised by their respective counsel that there are meritorious defenses to the claims alleged in these actions, which are presently in a preliminary pretrial stage.

**BALANCE SHEET**

	December 31 <b>1968</b>	December 31 <b>1967</b>
	(Thousands of dollars)	
<b>ADMITTED ASSETS</b>		
Security investments, substantially at market (cost: \$210,333,000 in 1968 and \$185,047,000 in 1967) (Note 2) .....	\$227,954	\$209,020
Mortgage loans on real estate (less discounts: \$12,283,000 in 1968 and \$11,616,000 in 1967) .....	143,522	139,349
Real estate, at cost (less accumulated depreciation: \$2,736,000 in 1968 and \$2,273,000 in 1967) .....	15,014	10,744
Policy loans .....	12,459	11,383
Cash and bank deposits .....	16,044	17,531
Amounts due from securities sold .....	1,662	11,647
Premiums deferred and uncollected and all other assets .....	18,946	17,066
<b>TOTAL ADMITTED ASSETS</b> .....	<u>\$435,601</u>	<u>\$416,740</u>
<b>LIABILITIES, CAPITAL STOCK AND SURPLUS</b>		
Policy and other contract reserves and liabilities .....	\$266,409	\$249,365
Advance premiums and funds on deposit .....	11,305	10,816
Taxes and other liabilities (Note 2) .....	12,314	11,711
Total liabilities .....	290,028	271,892
Securities valuation reserve .....	27,069	22,082
Capital stock and surplus (Note 2)		
Capital stock, \$5 par value: 1,960,000 shares authorized, issued and outstanding .....	9,800	9,800
Surplus .....	108,704	112,966
Total capital stock and surplus .....	118,504	122,766
<b>TOTAL LIABILITIES, CAPITAL STOCK AND SURPLUS</b> .....	<u>\$435,601</u>	<u>\$416,740</u>

**STATEMENT OF INCOME**

	Year ended December 31 <b>1968</b>	Year ended December 31 <b>1967</b>
	(Thousands of dollars)	
Premiums and other policy considerations .....	\$ 99,311	\$ 99,891
Investment income (less investment expenses: \$685,000 in 1968 and \$1,172,000 in 1967) .....	18,457	16,489
	<u>117,768</u>	<u>116,380</u>
Payments or credits to policyholders and beneficiaries		
Death claims and other benefits .....	55,551	53,788
Increase in policy and other contract reserves .....	17,292	21,500
Commissions, taxes, agency and operating expenses .....	31,132	28,097
	<u>103,975</u>	<u>103,385</u>
Income before federal income tax and realized capital gains .....	13,793	12,995
Provision for federal income tax (Note 2) .....	4,300	3,800
Income before realized capital gains .....	9,493	9,195
Net realized capital gains (less income tax: \$3,929,000 in 1968 and \$4,600,000 in 1967) .....	9,912	14,314
<b>NET INCOME</b> .....	<u>\$ 19,405</u>	<u>\$ 23,509</u>

See accompanying notes and financial review.

## STATEMENT OF SURPLUS

	Year ended December 31 <b>1968</b>	Year ended December 31 <b>1967</b>
	(Thousands of dollars)	
Unassigned surplus		
Balance at beginning of year .....	\$ 76,400	\$ 60,177
Net income for the year .....	<u>19,405</u>	<u>23,509</u>
	95,805	83,686
Other changes—increase (decrease)		
Cash dividends paid .....	(12,152)	(4,116)
Net change in securities valuation reserve and unrealized appreciation of investments (Note 2) .....	(11,415)	6,079
Net change in appropriated surplus .....	4,566	(9,282)
Net change in non-admitted assets .....	<u>( 100)</u>	<u>33</u>
	(19,101)	(7,286)
Balance at end of year .....	76,704	76,400
Appropriated surplus		
Balance at beginning of year .....	36,566	27,284
Appropriated from (to) unassigned surplus .....	<u>(4,566)</u>	<u>9,282</u>
Balance at end of year .....	<u>32,000</u>	<u>36,566</u>
	<u>\$108,704</u>	<u>\$112,966</u>

## NOTE 1: BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared, except as to form, on the basis of requirements prescribed for annual statements filed with the Division of Insurance of the Commonwealth of Massachusetts. Accounting authorized by the Division differs in some respects from accounting principles generally accepted for use by other industries: (a) certain "non-admitted assets" (amounting to \$1,007,000 at December 31, 1968) are excluded from the balance sheet, (b) securities investments are stated substantially at market value rather than cost, (c) the securities valuation reserve is classified as a liability rather than as appropriated surplus, and (d) discounts on mortgage loans are reported as income upon retirement of the loans rather than accrued over the life of the loans. Costs incurred upon issuance of new policies are charged against income in the period incurred rather than deferred and amortized over the terms of the policies, the result of which is to reduce net earnings in a period of growth and increase net earnings in a period of decline in new business.

## NOTE 2: FEDERAL INCOME TAXES

At December 31, 1968, The Paul Revere Life Insurance Company had accumulated in unassigned surplus an aggregate policyholders' surplus account in the amount of \$29,500,000. If the amount accumulated as policyholders' surplus became taxable to the company, the resulting maximum tax liability would approximate \$15,400,000. Under present circumstances, the company does not intend to effect any transactions or occurrences to cause the policyholders' surplus account to become taxable.

The increase in policyholders' surplus was \$3,900,000 and \$4,100,000 for the years 1968 and 1967 respectively, with an income tax effect of \$2,000,000 in each year.

No recognition is given in the accompanying financial statements to federal income taxes of approximately \$4,800,000 which would be payable upon the realization of the unrealized gain on investments at December 31, 1968.

## REPORT OF ARTHUR YOUNG &amp; COMPANY

The Board of Directors  
The Paul Revere Life Insurance Company

We have examined the accompanying balance sheet of The Paul Revere Life Insurance Company at December 31, 1968 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The amounts at which the actuarial items are stated in the financial statements were certified by independent consulting actuaries.

In our opinion, based upon our examination and upon the aforementioned certification of actuarial items, the statements mentioned above present fairly the financial position of The Paul Revere Life Insurance Company at December 31, 1968 and the results of its operations for the year then ended, in accordance with accounting practices prescribed by the Division of Insurance of the Commonwealth of Massachusetts, applied on a basis consistent with that of the preceding year. As described in Note 1 to the accompanying financial statements, these practices differ in some respects from accounting principles generally accepted for use by other industries.

*Arthur Young & Company*

Boston, Massachusetts  
February 5, 1969

## FIVE YEAR FINANCIAL DATA

	Year ended November 30				
	1968	1967	1966	1965	1964
	(Thousands of dollars, except per share amounts)				
<b>PRODUCTS AND SERVICES</b>					
Net sales .....	\$939,571	\$795,719	\$656,990	\$475,737	\$446,916
Earnings .....	27,973	21,024	28,138	21,528	23,567
<b>INSURANCE</b>					
Premium and investment income .....	137,275	130,548	118,925	108,902	99,862
Earnings .....	23,571	25,139	19,147	19,693	18,234
<b>FINANCE</b>					
Revenues from interest, discount and service charges .....	106,527	83,393	67,078	48,825	35,738
Earnings .....	5,478	7,084	5,531	4,562	3,030
<b>CONSOLIDATED</b>					
Earnings (before extraordinary capital gain in 1967) .....	57,022	53,247	52,816	45,783	44,831
Per outstanding common share .....	\$3.76	\$3.44	\$3.14	\$2.48	\$2.41
Per common share, including the common shares into which the \$3.20 preferred is convertible .....	\$2.69	\$2.48	\$2.34	\$2.02	\$1.99
Stockholders' equity at end of year .....	\$354,427	\$325,491*	\$401,940	\$364,741	\$332,358
<b>CASH DIVIDENDS PAID PER COMMON SHARE</b> .....	\$1.20	\$1.20	\$1.05	\$1.00	\$1.00

\*Reduced by \$135,316,000 cost of Avco treasury shares retired for accounting purposes.



